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OFFICE OF STRATEGIC PLANNING AND BUDGETING
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GOVERNOR
Janet Napolitano

JOINT LEGISLATIVE BUDGET COMMITTEE
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James J. Apperson
Director, OSPB

Richard Stavneak
Director, JLBC Staff

July 31, 2008

Governor Janet Napolitano
President Tim Bee
Speaker James Weiers
1700 W. Washington
Phoenix, AZ 85007

Dear Governor Napolitano, President Bee, and Speaker Weiers:

Laws 2008, Chapter 53, Section 26 requires the staff director of the Joint Legislative Budget Committee (JLBC) and the Governor's Office of Strategic Planning and Budgeting to notify you by July 29th as to whether the preliminary FY 2008 state General Fund ending balance is less than \$0, and if so, the total ending balance amount.

State agencies were able to pay for FY 2008 claims through July 18th. As a result, the fiscal year-end reconciliation process is still occurring. Based on preliminary information, however, the FY 2008 ending balance is projected to have a shortfall of \$(99) million. This preliminary estimate reflects revenues of \$9.945 billion and expenditures of \$10.044 billion. The General Accounting Office (GAO) of the Department of Administration, however, may have additional adjustments as part of the financial reconciliation which may further reduce the shortfall.

Based on the joint determination of JLBC and OSPB, Chapter 53 requires the Treasurer to transfer an amount equal to the negative ending balance plus \$1.0 million from the Budget Stabilization Fund (BSF) to the State General Fund. With an estimated shortfall of \$(99) million and the \$1 million ending balance requirement, there would currently be an estimated transfer of \$100 million from the BSF to the General Fund. Since the BSF currently has a balance of \$218 million, there would be sufficient funds in that account to cover the projected shortfall.

Given that we are still working with GAO on their potential adjustments, however, we recommend reporting back to you by September 15th with an updated estimate of the ending balance. That September 15th determination will provide the basis for the Treasurer to make the transfer from the Budget Stabilization Fund to the General Fund.

Please let us know if you have any questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "James Apperson".

James Apperson
Director, OSPB

A handwritten signature in dark ink, appearing to read "Richard Stavneak".

Richard Stavneak
Director, JLBC Staff

xc: Dean Martin, Arizona State Treasurer